Sectt. H-29—35,000—2-11-26.

Development (1926) Department.

Mn. SERIES.

G.O. No. 1703,

DATED 1-12-26.

[Despatch Abstract.]

Industries - State Aid to Industries Act - Canara Mic. and Sa. Mills Ltd., - Penalty for delay in repayment of loan - Considered unnecessary - Draft amendments to rules under the Act - called for.

C.S. 50—22,408—3-10-22.

DEPARTMENT.

Received ..... 192 . *Registered* ..... 192 .

Subject.

Loan under State Aid to Industries Act - Delay in repayment of instalment - Penalty fee.

ENCLOSURES.
No. 2
Spare copies.....

No. 64-A/26.

Station Madras, *Dated the* 16th August 1926. 192 .

From (Name) Khan Bahadur Md.Bazl-ul-lah Sahib Bahadur, C.I.E., O.B.E.,
(Designation) Director of Industries.

To The Secretary to the Government of Madras,

Development Department.
Through the Accountant General, Madras.

Sir,

With reference to G.O.No.312 Press Dev. dated 2nd March 1925, sanctioning an amount of Rs.9600/- to Messrs:Kelkar Bros, Managing Agents of the Canara Rice and Saw Mills Ltd.. Coondapoor as a loan under the State Aid to Industries Act, I have the honour to state that ~~the~~ repayment of ~~a~~ first instalment fell due on the 15th May 1926 and that in spite of a timely demand notice issued for the repayment of Rs.1411-14-11, the party paid the amount into the Treasury only on the 25th May 1926. The amount was calculated as follows:-

2/

First instalment made up of Rs.711, Principal and Interest Rs.624, ... Total Rs.1335

Simple interest on Rs.9600 for the period 31st March 1925 to 14th May 1925 at 6½ per cent per annum 76-14-11

1411--14--11.

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2. The firm who were asked to show cause why action should not be taken against them in accordance with the provisions of Clause 4(3) of the Mortgage deed, herewith submitted for reference and return, have stated as follows:

"As regards failure to pay the first instalment of the loan on the due date i.e.15th May 1926 we very much regret the delay of about a week in paying this, for which we humbly beg to be excused, but we assure you that in future we will be more careful and prompt in all these matters".

3. As the delay did not exceed ten days and as I think it undesirable to enforce the terms of the mortgage deed, I would suggest that no action need be taken in the present instance beyond imposing a penalty fee for the delay in repayment. The rules do not prescribe the levy of any penalty fee, but a scale similar to the one prescribed in Rule XV of the Special Loan Rules (Copy enclosed) would seem to meet the case.

I solicit the orders of Government on the point.

I have the honour to be

Sir,

Your most obedient servant,

G.M. for Director of Industries.

4

Development Department.

From the D.I. No.64-A/26 dated 16th September 1926.

State Aid to Industries Act - Penalty for repayment of loans on due dates.

To Asst. Secretary.

The Canara Rice and Saw Mills Ltd. did not repay their first instalment of loan on the due date. The Director suggests that a small penalty fee may be imposed for their failure to do so. But neither the rules nor the G.O. granting the loan provides for this and it does not appear that Government can impose this now. The delay in the present case is only ten days and the Government may excuse this delay.

2. The question arises whether a rule may not be made now to meet similar cases which may arise in future. This question was not lost sight of when the rules under the Act were first framed. It was then left over for consideration later when some experience had been gained of the working of the Act. The Director now suggests that a rule similar to the one in the Special Loan Rules may be adopted. The rule referred to runs as follows:-

"XV. The Collector may, in special circumstances "and after consulting the Director extend the time "for repayment of any instalment up to a maximum of "twelve months.

"When any such extension is granted, the follow- "ing scale of penalties should be charged in lieu of "penal interest:-

Balance of unpaid annual instalment of Rs.10 and below.	As.2 a month or a portion of a month.
Above Rs.10 up to Rs.25	" 4
" 25 " 50	" 8
" 50 " 100	" 12
For each additional Rs.100 or fraction thereof	" 12

"The Collector may after consulting the Director remit "penalties and permit the suspension of repayment of "any instalment in adverse circumstances."

This rule may be amended to suit the cases under the State Aid to Industries Act as shown below:

"The Director may, in special circumstances, in "cases where the aid granted does not exceed Rs.10,000 "in value extend the time for the repayment of any "instalment up to a maximum of twelve months. If "the value of the aid exceeds Rs.10,000, he may similarly extend the time with the prior approval of the Government.

"When any such extension is granted, a penalty at "twelve annas for the balance of unpaid annual instalment of every ~~thousand~~ hundred rupees or fraction thereof shall be "charged in lieu of penal interest".

B

"The Director may also, after obtaining the orders "of Government ~~in the cases referred to above~~, remit "penalties ~~and permit~~ and permit the suspension of repayment of any "instalment in adverse circumstances".

The draft rule proposes to empower the Director to permit at his discretion postponement of instalment or remit penalties where aid does not exceed Rs.10,000. This limit is suggested as under section 7 of the Act the Director may be empowered to grant even loans up to Rs.10,000. The scale of penalty works out to 9 per cent per annum while the rate of interest now charged is 6½ per cent.

3. Opportunity may now perhaps be taken (i) to amend Rule 20, and (ii) to introduce a new rule defining the place where the loan should be repaid.

(i) Rule 20 may be amended as follows:

"Nothing in rule 19 shall prevent or debar a borrower "from paying at any time a larger sum than the annual "instalment or from discharging the whole loan in a single "repayment. If any sum in excess of the prescribed instal-

ment

"be paid, it will be credited in reduction of the "principal, the number of future instalments being, "if necessary, reduced but no postponement of subse- "quent instalments will be permitted nor will any "alteration in the amount of subsequent instalments "be allowed except in the final instalment if such "alteration is necessary to adjust the balance due."

(ii) The new rule may be ~~drawn~~ in the following terms:-

"All payments of instalment of loans and interests "under these rules shall be ~~paid~~ made at the nearest Govt. "Treasury to the credit of Government."

The portions underlined (i) above and the new rule in (ii) above are not new provisions. These are already embodied in the orders sanctioning the grant of loans: cf. G.O. 312 dated 2-3-25. If these are incorporated in the Rules as in the Special Loan Rules (Rules XIII & XIV), it will be unnecessary to mention ~~this~~ them in every order granting a loan.

4 The proposed rule (i-above) relating to the place of payment may be numbered as 21 and the rule regarding penalty mentioned in para 2 above may be numbered as 22.

5. The remarks of Finance and Law (Drafting) may now be invited.

23.9.26.

S/RR 23-9. The remarks of the Director of Industries should be obtained first

24.9.26

D.I. no

INDUSTRIES DEPARTMENT.

The imposition of a reasonable penalty fee for the delay in repayment was suggested by me on principle and in as much as in this particular case,

this is not the only instance of remissness on the part of the firm in question - please vide paragraph 10 of my letter to Government No.454-A/26 dated 12th July 1926. If, however, Government consider that the delay may be excused, I have no objection.

2. As regards the amendment proposed to Rule 20 as well as the new rules proposed, they seem to be desirable and also suitable. As, however, there are other matters in respect of which rules could now suitably be framed,- e.g. the delegation of the power to grant State Aid under Sec.7 and the application of profits in cases where the conditions under which loans or grants have been made, have not been fulfilled - vide Sections 17 and 19 (b)(11)-etc., and since it is desirable also to consult the Board of Industries on the suitability of any new rules proposed or any amendments proposed to existing rules, I suggest that the question may, with advantage, be dealt with separately.

An extract of the Secretariat note has been taken, and I shall, if desired, submit, in consultation with the Board of Industries, a set of draft rules and amendments to any existing rules, covering the points raised in the Secretariat note as well as other points in respect of which it is desirable to frame rules.

for Director of Industries.

To
Development Department, U. O.

8

Dec. Dept:

To Asst. Secretary

In the circumstances stated by the D.I., the papers may be recorded. A draft order is submitted.

3/11/26

The D.I. proposes in this official letter that a fourth should be devised. There seems to be specific order of precedence on this proposal.

Para 3 of page 2 of C

Next the D.I. in the memo says that, if desired he could submit drafts rules and amendments to existing rules. We should ask him to send up drafts. The rules should be revised.

RR
1-11-26.

C in p. 4 ante

To Asst. Secretary

The draft is revised. Finance may see it before issue.

RR
2.11

GI
2/11/26

MA
3/11/26

W.O. No. 2280.2.26.2
3-11-26

Finance No

ASSISTANT SECRETARY TO COUNCIL
3 NOV 1926
FINANCE DEPARTMENT

Finance 34063 £1
3-11-26.

Finance (Expenditure)

(W) In G.O.No.312 Dev.dated 2-3-1925, the Govt. sanctioned a loan of Rs.9,600 to Messrs. Kolkar brothers, Managing Agents of the Canara Rice and Saw Mills Limited, Coondapur for the purchase of a vertical band Saw for the mills.

The repayment of the first instalment of the loan together with interest (Rs.1411-14-11) fell due on the 15th May 1926; but the actual repayment was made only on the 25th May 1926 i.e. 10 days after the due date.

2. The Director of Industries has suggested that a penalty fee for the delay in repayment may be levied, The Dev.deptt have, however, pointed out that neither the rules framed under the Madras State Aid to Industries Act, 1922, nor the terms of the G.O sanctioning the loan provides for the levy of penal interest. They accordingly do not propose to impose any penalty.

Submitted that this department may agree. The draft order may be accepted, subject to the remarks below.

3. When the draft rules under the State Aid to Industries Act were under consideration, the question of framing a rule for levying penalty in cases of non-payment of instalments on due date was left over for future consideration. The Dev.Department now propose to frame a rule for the levy of penal interest. The Director of Industries has stated that there are other matters in respect of which rules could now suitably be framed. He has therefore proposed to submit, in consultation with the Board of Industries, a set of draft rules (including a rule for the levy of penal interest) and amendments to some of the existing rules.

As it will take some time for all

10

the draft rules to be drawn up and submitted to Govt., it seems preferable to issue a rule at once for the levy of penal interest alone without waiting for other rules.

8/10.11.26

4. The rate of penal interest proposed by the Dev.deptt is 12 annas for each month or portion of a month on every Rs.100 or fraction thereof remaining unpaid. This comes to 9 per cent. This rate has been suggested on the analogy of general rates charged for Takavi loans.

B ... 2 annas

It may be noted that the rate of penalty interest charged on all overdue instalments of interest or principal from Presidency Corporations including Port Trusts, District and other local fund committees and all mufassal municipalities has been fixed at 10% per annum. It is submitted that a rate of 10% may be charged as penal interest on all overdue instalments of interest or principal of loans given under the State Aid to Industries Act. (The takavi loans are usually for small amounts but the amounts of loans under the State Aid to Industries Act are comparatively big)

× para 3 of Memo ... SE 5/54 dtd 29.12.26 (A)

8/10.11.26

5. It is presumed that the proposed rule providing for the levy of penal interest can be made applicable to loans already sanctioned uner the State Aid to Industries Act.

Submitted that the Development department may be requested to examine this question.

10.11.26

10/11/26

8/10.11.26

S

Fin: w.o. 34063 EXP
10-11-26.

D 2859 II
12.11.26

12 NOV 1926
DEPARTMENT (UNDER SECRETARIES)

11

Do. Secy.

The Finance Deptt. urge the early issue of a rule for levying penal interest on recoveries instalments. As the Dei powers to take up amendments existing rule and issue of new rules, it was thought desirable to defer action regarding levy of penal interest and to decide that along with the other amendments. It is considered that the rule reg. penal interest should be issued in advance; necessary draft will be prepared for approval. The rule requires previous publication and has to be laid before the Leg. Council for 30 days.

C on p. 4 ante

S/ RL 12.11.26. ask the Dl. when the amendments will reach the Govt. & suggest that they should be expedited.

MD 12/11/26

To Asst. Secretary

A draft do. is submitted. For orders whether this and the GP. (para 1 ante) may issue.

GM 13/11/26 Order issue with the previous Finance have suggested 1% penal rate. The Do. may issue now.

para 4 on p. 7 ante

S/ RL 13.11. MD 13/11/26

19

Rev. Dept.

DO no. 2280. II..26. 3 d. 13.11.1926

My dear Bazl. ul. Lah,

With reference to your u.o. note no. 64-A/26, d. 28.10.1926. regarding amendment to the rules under the Madras Hindu Aid to Endowments Act, 1923, I am to enquire when your proposals may be expected. It is understood that the proposed amendments should come at a very early date. With you please Therefore expedite them

Yours sincerely

MA
13/11/26

Khan Bahadur
Muhammad Bazl. ul. Lah
Sahib Bahadur O.B.E., C.I.E.

Madras.

No.733A/26

Office of the Director of Industries,
Post Box No. 432,
Madras. dated 19th November 1926.

My dear Row,

In reply to your D.O.No. 2280/II/26-3 dated 13th November regarding amendments to the Rules framed under the State Aid to Industries Act, I write to say that I shall arrange to have the draft amendments and additional rules drawn up as early as possible and placed before the Board of Industries at its next meeting. Considering the present stage of some of the applications for State Aid now on hand I do not think it will be practicable to convene the next meeting before the first week in January next. My report on the subject may therefore be expected by about the 15th of that month.

Yours sincerely,

V.P.Row Esq., I.C.S.,
Secretary to Government,
Development Department,
Fort St. George, Madras.

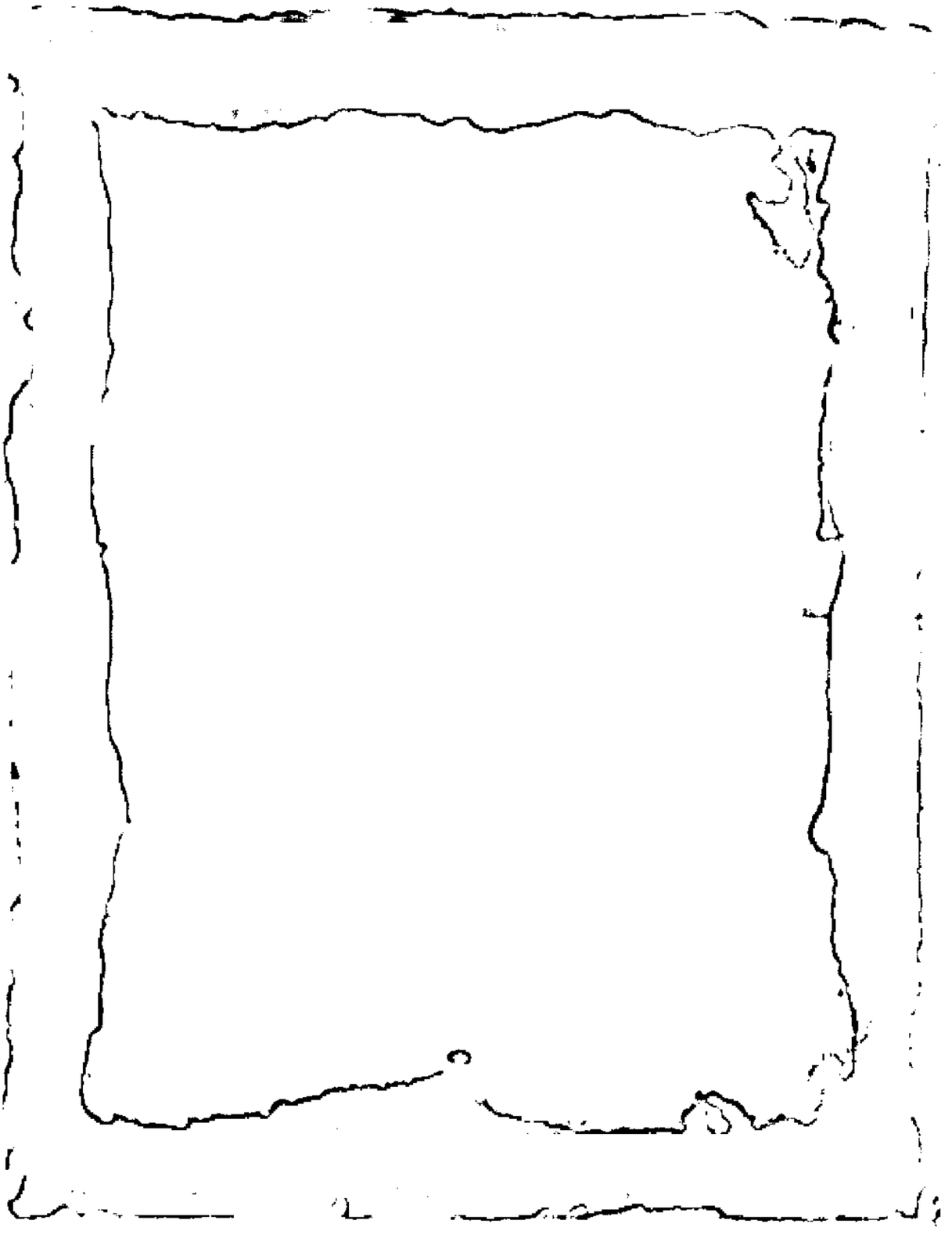
Dev. Dept.

It is not clear why this subject alone may be placed before the Board at an earlier date. For orders if the D.I. may be asked to do this

24/11/26

I think we may take up all the rules together in January. For the present, the order below may issue with the G.O. of general orders issued to-day. The order

× See D.I.'s D.O. above



14

may go to Finance for acceptance before issue

S/ [illegible]
26.11.

MA
25.11.26

Finance no

U

No. no. 2250-E-26-4
25.11.26

Finance (Expl.)

(Previous Finance note on pp. 6-7 ante.)

Finance No. 37049 Expl.
26-11-26.

Submitted that the draft order as now revised may be accepted.

* see para 3 on pp. 6-7 ante + 2

As regards the issue of a rule for the levy of penal interest, Dev. Dept. propose to take up the question in January 1927 along with other rules.

** K on p. 10 ante

JM
26.11.26.

BSL
26/11/26

26/11.26

BSL

Fin. No. 37049 Expl.
26-11-26.

The draft may issue

S/ [illegible]
25.11

MA
29.11.26

Der 3068 II
29/11/26

D. 15
Circulated 30/11
Rate 1/12

MA
1.12.26

M 3 MA 1-12-26

Scott. II-1a (b)—7,852—2-2-28.

Development DEPARTMENT.

	Date.	Initials.
When received for Fair-copying.		
When copied ..		
When examined ..		
When signed ..		
When despatched ..		

Industries - State Aid to Industries Act - Canara ~~and~~ Rice and Saw Mills Ltd - Penalty for delay in repayment of loan - Considred unnecessary - Draft amendments to rules under the Act - Called for.

READ AGAIN G.O. No. ....., dated ..... 192 .

" " " " ....., " ..... 192 .

READ ALSO;—

C. No. 2283-II From the D.I. , No 64-A/26 , dated 16-8-26 192 .

" " A.G. H.A. Comml. Mis. 171 " 9-9-26 192 .

" " ..... " " ..... " ..... 192 .

ORDER.

Mis.

No. 1703, dated 1-12-1926

× para 3 on p: 2 c.f.

× para 2 on p: 2 c.f.

As the delay in the payment of the instalment was only ten days and as the mills have given an assurance that they would be punctual in future, the Govt. do not propose to impose any penalty.

The mills should, however, be informed that if any delay occurs in the payment of instalment a penalty at the rate of ~~twelve annas~~ ten per cent per annum ~~for each month or portion of a month for the balance of unpaid instalment of every hundred rupees or portion there~~ will be levied.

2

16

2 The Government consider that the rules under the Act should provide penalties in the event of default in the payment of instalments. As it is understood that the D.I. is contemplating some further additions to and alterations in the existing rules, he is requested to consult the Board of Industries in the matter and submit draft amendments to the rules for the consideration of Government.

2-11-

2.11.1926

To the Director of Industries (q & o)

Copy to Mr Dey.